

Message Text

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71

ACTION EB-07

INFO OCT-01 EA-07 NEA-10 IO-13 ISO-00 AGR-05 CIAE-00

COME-00 INR-07 LAB-04 NSAE-00 SP-02 STR-04 TRSE-00

CIEP-01 FRB-03 OMB-01 L-03 /068 W

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P 230736Z AUG 76

FM AMCONSUL HONG KONG

TO SECSTATE WASHDC PRIORITY 1737

USMISSION GENEVA PRIORITY

INFO AMEMBASSY NEW DELHI PRIORITY

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NEW DELHI FOR TEXTILE TEAM

E.O. 11652: NA

TAGS: ETRD, HK

SUBJECT: US-HONG KONG TEXTILE AGREEMENT: CATEGORY 120

1. HKG HAS INFORMED US THAT IT WILL INSTRUCT ITS REPRESENTATIVE IN GENEVA TO SUBMIT THE FOLLOWING REQUEST TO THE TEXTILE SURVEILLANCE BODY TODAY.

2. QUOTE: I HAVE THE HONOUR TO REFER TO THE AGREEMENT ON COTTON, MAN-MADE FIBRE AND WOOL TEXTILES CONCLUDED BETWEEN HONG KONG AND THE UNITED STATES ON 25 JULY 1974 UNDER ARTICLE 4 OF THE ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES, WHICH WAS NOTIFIED TO THE TEXTILES SURVEILLANCE BODY BY THE GOVERNMENT OF THE UNITED STATES AND CIRCULATED TO PARTICIPATING COUNTRIES IN THE ARRANGEMENT WITH DOCUMENT COM.TEX/SB/48 DATED 16 DECEMBER 1974.

3. UNDER THIS AGREEMENT, CERTAIN CATEGORIES ARE GIVEN SPECIFIC LIMITS, BUT THE REMAINING CATEGORIES ARE NOT SUBJECT TO ANY LIMITATION OTHER THAN THE APPROPRIATE GROUP LIMITS.

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4. PARAGRAPHS 8 (B) AND 8 (C) OF THE AGREEMENT PROVIDES THAT WHENEVER, IN THE VIEW OF THE UNITED STATES, CONDITIONS IN ITS MARKET ARE SUCH THAT A LIMITATION ON FURTHER TRADE IN ANY CATEGORY ARE NOT GIVEN A SPECIFIC LIMIT IS NECESSARY TO ELIMINATE REAL RISKS OF MARKET DISRUPTIONS, THE UNITED STATES MAY REQUEST HONG KONG TO ISSUE NO FURTHER EXPORT AUTHORIZATIONS FOR THE ITEM IN QUESTION PENDING CONSULTATIONS WITH HONG KONG WITH A VIEW TO AGREEMENT ON AN APPROPRIATE LEVEL OF RESTRAINT FOR THAT CATEGORY FOR THE AGREEMENT YEAR IN WHICH THE REQUEST IS MADE.

5. ON 1 JUNE 1976 THE UNITED STATES MADE SUCH A REQUEST IN RESPECT OF CATEGORY 120 (MEN'S AND BOY'S WOVEN WOOL SUITS). HONG KONG IMMEDIATELY STOPPED ISSUING EXPORT AUTHORISATIONS.

6. A COPY OF A MARKET STATEMENT ACCOMPANYING THE UNITED STATES REQUEST IS ENCLOSED. THIS STATEMENT WAS SUPPORTED BY SOME STATISTICAL TABLES (WHICH ARE NOW BEING SENT FROM HONG KONG AND WHICH I WILL SUBMIT TO YOU AS SOON AS I HAVE RECEIVED THEM). SUBSEQUENTLY, HOWEVER, THE UNITED STATES PROVIDED REVISED PRODUCTION STATISTICS WHICH CHANGED THE IMPORT/PRODUCTION RATION ORIGINALLY PROVIDED TO THE FOLLOWING:

YEAR	PRODUCTION (100 DOZ)	TOTAL IMPORTS	RATION
1972	542	44	8.1 PERCENT
1973	505	58	11.5
1974	486	69	14.2
1975	425	83	19.2
1976 PROJECTED	467.5	115	24.5

7. CONSULTATIONS WERE HELD IN WASHINGTON BETWEEN 30 JUNE AND 3 AUGUST. HONG KONG WAS UNABLE TO AGREE THAT THERE WERE GROUNDS FOR RESTRAINT OF HONG KONG'S EXPORTS OF MEN'S AND BOY'S WOVEN WOOL SUITS SINCE IT DID NOT APPEAR TO HONG KONG THAT THESE EXPORTS WERE CREATING REAL RISKS OF MARKET DISRUPTIONS IN THE UNITED STATES. HONG KONG'S POSITION WAS BASED ON DATA PROVIDED BY THE UNITED STATES WHICH SHOWED THAT:

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(A) WHILE US IMPORTS WERE INCREASING THIS INCREASE WAS NOT AT THE EXPENSE OF US PRODUCTION, SINCE THE LATTER WAS ALSO INCREASING IN 1976;
 (B) PROJECTED US PRODUCTION IN 1976 WOULD BE 10 PERCENT HIGHER THAN PRODUCTION IN 1975;
 (C) IMPORTS FROM HONG KONG IN 1975 ACCOUNTED FOR ONLY 1.3 PERCENT OF TOTAL IMPORTS AND ONLY 0.2 PERCENT OF CONSUMPTION (IMPORTS PLUS

PRODUCTION) IN 1975.

(D) ALTHOUGH THE QUANTITY SO FAR AUTHORISED BY HONG KONG FOR EXPORT DURING THE CURRENT AGREEMENT YEAR (59,113 SUITS) IS HIGHER THAN HONG KONG'S EXPORTS DURING THE PREVIOUS AGREEMENT YEAR (16,556 SUITS) THIS HIGHER FIGURE WOULD STILL ACCOUNT FOR NO MORE THAN 4.3 PERCENT OF PREDICTED US IMPORTS AND 0.84 PERCENT OF PREDICTED US CONSUMPTION IN 1976;

(E) THE AVERAGE DUTY PAID CIF VALUE OF HONG KONG SUITS AT US\$73.76 PER SUIT WAS BY FAR THE HIGHEST AMONG IMPORTED SUITS AND ONLY marginally, (5.5 PERCENT) LOWER THAN THE AVERAGE PRICE OF US DOMESTIC PRODUCTION: AND

(F) THERE WERE OTHER UNRESTRAINED SUPPLIERS IMPORTS FROM WHO WERE GREATER, AND CHEAPER, THAN IMPORTS FROM HONG KONG, AND THEREFORE, EVEN IF A REAL RISK OF MARKET DISRUPTION EXISTED, IT EXISTED BECAUSE OF IMPORTS FROM THESE SUPPLIERS AND NOT BECAUSE OF IMPORTS FROM HONG KONG.

8. FOLLOWING HONG KONG'S REJECTION OF THE REQUEST FOR RESTRAINT, THE UNITED STATES AUTHORITIES INFORMED HONG KONG ON 3 AUGUST, THAT HAVING REVIEWED THE FACTS THEY HAD DECIDED THAT THERE WAS A "DISRUPTION SITUATION" IN THE WOOL SUIT INDUSTRY WHICH WOULD DETERIORATE IF HONG KONG SUITS CONTINUED TO BE EXPORTED WITH RESTRAINT AND THEY HAD THEREFORE DECIDED TO EXERCISE THEIR RIGHTS UNDER PARAGRAPH 8 (3) OF THE AGREEMENT TO IMPOSE A LIMIT ON HONG KONG'S EXPORTS IN CATEGORY 120 FOR THE CURRENT AGREEMENT YEAR-THE LIMIT BEING THE QUANTITY ALREADY AUTHORIZED FOR EXPORT, I.E. 59,113 SUITS.

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9. WHILE PARAGRAPH 8 (E) OF THE AGREEMENT OBLIGES HONG KONG TO ABIDE BY ANY LIMIT IMPOSED BY THE US PARAGRAPH 8(F) OF THE AGREEMENT PROVIDES THAT IN THE EVENT OF A FAILURE TO REACH AGREEMENT DURING CONSULTATIONS, EITHER PARTY MAY BRING THE MATTER BEFORE THE TEXTILES SURVEILLANCE BODY IN ACCORDANCE WITH ARTICLE 11 OF THE ARRANGEMENT REGARDING INTERNATIONAL TRADE IN TEXTILES. IN THE PRESENT CASE THE HONG KONG GOVERNMENT FEELS THAT THE UNITED STATES AUTHORITIES HAVE FAILED TO PROVIDE SUFFICIENT EVIDENCE TO JUSTIFY RESTRAINT ON HONG KONG'S EXPORTS OF SUITS IN CATEGORY 120 TO THE UNITED STATES DURING THE CURRENT AGREEMENT YEAR, AND HAS THEREFORE DECIDED TO INVOKE PARAGRAPH 8 (F) OF THE AGREEMENT. THE UNITED STATES AUTHORITIES HAVE BEEN INFORMED OF THIS DECISION.

10. I HAVE ACCORDINGLY BEEN INSTRUCTED BY THE HONG KONG GOVERNMENT TO REQUEST THE TEXTILES SURVEILLANCE BODY, IN ACCORDANCE WITH ARTICLE 11 OF THE AGREEMENT, TO REVIEW THE MATTER AT ISSUE BETWEEN HONG KONG AND THE UNITED STATES TO MAKE ANY RECOMMENDATIONS WHICH IT MAY DEEM APPROPRIATE. IN MAKING THIS REQUEST, THE HONG KONG GOVERNMENT WISHES TO STATE THAT IT IS NOT QUESTIONING THE RIGHT OF THE UNITED STATES UNDER THE AGREEMENT TO IMPOSE A LIMIT IN THE EVENT OF A FAILURE TO REACH AGREEMENT, IN CONSULTATIONS UNDER PARAGRAPH 8 OF THE AGREEMENT, BUT THAT IT IS QUESTIONING THE JUSTIFICATION PROVIDED BY THE UNITED STATES IN SUPPORT OF ITS REQUEST FOR RESTRAINT.

11. AS HONG KONG HAS NOT AUTHORISED ANY FUTURE EXPORTS TO THE UNITED STATES SINCE 1 JUNE AND AS THE SHIPMENT SEASON FOR WOOL SUITS TO THE UNITED STATES IS ALREADY HALF OVER, THE HONG KONG GOVERNMENT WOULD BE GRATEFUL IF THE TEXTILE SURVEILLANCE BODY COULD CONDUCT A REVIEW OF THE MATTER AS SOON AS POSSIBLE. TO ASSIST THE TEXTILES SURVEILLANCE BODY IN ITS REVIEW, THE HONG KONG GOVERNMENT WOULD BE PREPARED TO SEND A REPRESENTATIVE TO APPEAR BEFORE THE BODY TO ELABORATE ON HONG KONG'S POSITION.

12. I AM SENDING A COPY OF THIS LETTER TO THE UNITED STATES AUTHORITIES. UNQUOTE.

CROSS

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Message Attributes

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Draft Date: 23 AUG 1976
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Disposition Case Number: n/a
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Disposition Date: 28 MAY 2004
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Disposition History: n/a
Disposition Reason:
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Executive Order: N/A
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